

GAO

Briefing Report to the Chairman,
Subcommittee on Labor, Committee on
Labor and Human Resources, United
States Senate

April 1987

PLANT CLOSINGS

Information on
Advance Notice and
Assistance to
Dislocated Workers



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Human Resources Division

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April 17, 1987

The Honorable Howard M. Metzenbaum
Chairman, Subcommittee on Labor
Committee on Labor and Human Resources
United States Senate

Dear Mr. Chairman:

This report responds to your April 1, 1987, request for information on advance notice and assistance provided to workers dislocated as the result of plant closings and permanent layoffs. Specifically, it (1) describes our survey of establishments where closures and permanent layoffs occurred, (2) provides an estimate of the extent of worker dislocation resulting from plant closings and permanent layoffs, and (3) provides information on the length of advance notice and financial and reemployment assistance provided to the affected workers. This report is based on information being developed for our broad-based review of plant closings and employer assistance, which will be completed soon.

SURVEY OF PLANT CLOSINGS, ADVANCE NOTICE, AND ASSISTANCE

To assist the Congress in its debate on issues regarding plant closings and dislocated workers and because we could not identify any existing, reliable source of such information, GAO conducted a survey from February through June 1986 of affected establishments. The purpose was to (1) estimate the magnitude of worker dislocation resulting from plant closings and permanent layoffs and (2) obtain information on the length of advance notice provided to workers and the types of financial and reemployment assistance businesses offered their workers. As far as we know, this survey provides the only statistically reliable, nationally representative information on the length of advance notice provided to dislocated workers and the extent of financial and reemployment assistance offered by employers to these workers.

Using data originally gathered by Dun and Bradstreet for determining credit risk, the Small Business Administration (SBA) provided us with a listing of establishments that appeared to have either closed or had a permanent layoff involving at least 20 percent of their workers (or 200 employees for establishments with 1,000 or more workers)

during 1983 or 1984. SBA advised us that this information most likely included many establishments that did not actually experience a closure or permanent layoff. To verify whether such an event actually occurred, we selected a stratified random sample of 2,400 establishments with 100 or more employees and 200 establishments with 50 to 99 employees and attempted to contact officials at these establishments. We successfully contacted officials at 90 percent and identified about 600 establishments that met our criteria of having closed or experienced a permanent layoff during 1983 or 1984.

To determine how much advance notice workers were provided of an impending closing or permanent layoff and to obtain information on financial and reemployment assistance offered dislocated workers, we surveyed officials from affected establishments with 100 or more workers. We mailed questionnaires to about 500 such establishments to obtain this information and received responses from 80 percent.

OVER 1.3 MILLION WORKERS DISLOCATED

Based on our survey, we estimate that 16,200 business establishments, with 50 or more employees, closed or had a permanent layoff (7 percent of all establishments having 50 or more employees) resulting in the dislocation of 1.3 million workers during 1983 and 1984. Most workers (76 percent) were dislocated from the 7,400 establishments with 100 or more employees.¹ (See table 1.)

Establishments that closed or had a permanent layoff were long-standing employers at the site of the dislocation. Over 50 percent of the establishments affected by a closure or layoff had been at their sites 15 years or more prior to the dislocation. Few establishments, 6 percent, that closed or had a permanent layoff had been at their location for 4 years or less. (See table 2.)

Few of the establishments (8 percent) with 100 or more workers that closed or had a permanent layoff during 1983 and 1984 went bankrupt or filed for financial reorganization around the time of the dislocation. Of the 7,400 establishments employing 100 or more workers that closed or had a permanent layoff, about 600 had gone bankrupt or were reorganized, resulting in the dislocation of over 110,000 workers during 1983 and 1984.

¹For additional information on the extent of plant closings see Dislocated Workers: Extent of Business Closures, Layoffs, and the Public and Private Response (GAO/HRD-86-116BR, July 1, 1986).

ADVANCE NOTICE

Most establishments (66 percent) with 100 or more employees said they provided 14 days or fewer advance notice to their workers. About one-third of the establishments provided no advance warning to their employees. (See table 3.) While 80 percent of establishments provided the same length of notice to both blue-collar and white-collar workers, the median length of notice provided by establishments affected by a closure or permanent layoff was 7 days for blue-collar workers and 14 days for white-collar workers.

About 5 percent of establishments with 100 or more employees provided more than 90 days advance warning of an impending closure or permanent layoff. About one in five establishments provided workers more than 30 days advance notice. Although our information on advance notice is based on calendar years 1983 and 1984, more general information collected by the Bureau of Labor Statistics on the extent to which dislocated workers either expected a layoff or were given advance notice showed no significant change between 1984 and 1986.

Significantly more establishments (42 percent) without union representation provided no notice to their blue-collar workers compared with establishments having some union representation (19 percent). (See table 4.) The length of notice provided to workers in medium-sized establishments (100 to 499 employees) was not significantly different from the notice provided workers in large establishments (500 or more employees). (See table 5.)

FINANCIAL AND REEMPLOYMENT ASSISTANCE²

While employers with 100 or more employees reported offering a wide range of assistance to workers affected by closings or layoffs, less than 30 percent offered some of their workers both financial and reemployment assistance. The most common forms of assistance offered were severance pay, continuation of health and life insurance, and job search assistance.³ However, financial assistance in the form of severance pay was offered by employers significantly more often to white-collar workers than to blue-collar workers. (See tables 6 and 7).

²For information on the assistance provided to dislocated workers under the Job Training Partnership Act see Dislocated Workers: Local Programs and Outcomes Under the Job Training Partnership Act (GAO/HRD-87-41, Mar. 5, 1987).

³On April 7, 1986, after the period covered by our survey, Public Law 99-272 was enacted that gives certain terminated employees the opportunity to continue their health insurance coverage at their own expense, but at the group rate applicable to their former employer.

Over half of establishments offered severance pay to white-collar workers; 37 percent of establishments offered severance pay to blue-collar workers. The continuation of employer contributions for health insurance benefits was offered to dislocated workers by less than half of the affected establishments.

About one-third or fewer establishments offered reemployment assistance to their dislocated employees. However, white-collar workers were offered company transfer options, time off for job search, and relocation assistance significantly more often than this assistance was offered to blue-collar workers. (See tables 8 and 9.)

In general, while about 20 percent of establishments provided their workers more than 30 days notice, we found that these establishments were more likely to offer financial and reemployment assistance to their workers than establishments that provided less notice. For example, 68 percent of establishments providing more than 30 days notice to their blue-collar workers offered them severance pay compared with about 25 percent for establishments that provided no notice to their blue-collar workers. Similar trends are evident for other forms of financial and reemployment assistance, including the continuation of health insurance, early retirement incentives, relocation assistance, and job search assistance.

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As requested by your office, we did not obtain Labor Department comments on this report. Unless you publicly announce its contents earlier, we plan no further distribution of this document until 15 days after its issue date. At that time we will send copies to the House Committee on Education and Labor, the Secretary of Labor, and other interested parties.

Should you have questions or wish to discuss the information provided, please call me on 275-5451.

Sincerely yours,



William J. Gainer
Associate Director

TABLE 1
ESTABLISHMENTS AND EMPLOYEES AFFECTED
BY CLOSURES AND PERMANENT LAYOFFS IN 1983 AND 1984
 (Establishments With 50 or More Employees)

Establishment Size	Establishments		Employees	
	<u>Number</u>	<u>Rate of Occurrence²</u>	<u>Number</u>	<u>Rate of Occurrence</u>
Small (50-99 Employees)	8,800	6.6	326,200	3.6
Medium (100-499 Employees)	6,600	7.5	657,900	3.9
Large (500+ Employees)	800	6.7	363,600	2.4
Total ¹	16,200	7.0	1,347,700	3.3

¹The actual number of U.S. business establishments affected by closures and layoffs is estimated to be between 13,800 and 18,600 with a confidence level of 95-percent; this resulted in the permanent layoff of between 1.0 and 1.7 million workers.

²Rate of occurrence is computed as the ratio of establishments or workers affected, to the total number in each size category.

TABLE 2
NUMBER OF YEARS ESTABLISHMENTS WERE IN BUSINESS
AT SITES PRIOR TO CLOSURE OR LAYOFF IN 1983 OR 1984
 (Establishments With 50 or More Employees)

<u>Years At Site</u>	<u>Percentage of Establishments</u>	<u>Percentage of Employees</u>
1 to 4	6	7
5 to 14	41	33
15 to 24	23	19
25 or more	30	41

TABLE 3

**LENGTH OF NOTICE
BLUE-COLLAR VERSUS WHITE-COLLAR WORKERS¹**
(Percentage of Establishments with 100 or More Employees)

<u>Length of Notice</u>	<u>Blue Collar</u>	<u>White Collar</u>
No notice	32	28
1 to 14 days	36	31
15 to 30 days	14	18
31 to 90 days	14	16
91 days or more	5	7

¹The estimates of the percent of establishments providing the varying lengths of notice have a sampling error of ± 5.5 percentage points or less at the 95-percent confidence level.

TABLE 4

**LENGTH OF NOTICE
UNION VERSUS NONUNION ESTABLISHMENTS**
(Percentage of Establishments With 100 or More Employees)

<u>Length of Notice</u>	<u>Blue-Collar Workers</u>		<u>White-Collar Workers</u>	
	<u>Union</u>	<u>Nonunion</u>	<u>Union</u>	<u>Nonunion</u>
No notice	19	42	21	31
1 to 14 days	40	31	37	26
15 to 30 days	18	13	19	20
31 to 90 days	18	10	17	16
91 days or more	5	4	6	7

TABLE 5**LENGTH OF NOTICE PROVIDED
BY SIZE OF ESTABLISHMENT**

(Percentage of Establishments With 100 or More Employees)

<u>Length of Notice</u>	<u>Blue-Collar Workers</u>		<u>White-Collar Workers</u>	
	<u>Medium: 100-499 Workers</u>	<u>Large: 500 + Workers</u>	<u>Medium: 100-499 Workers</u>	<u>Large: 500 + Workers</u>
No notice	33	19	30	16
1 to 14 days	33	57	30	35
15 to 30 days	15	12	18	23
31 to 90 days	15	6	16	18
91 days or more	4	6	6	8

TABLE 6

**FINANCIAL BENEFITS OFFERED TO BLUE-COLLAR WORKERS
AND LENGTH OF ADVANCE NOTICE**
(Percentage of Establishments With 100 or More Employees)

	Number of Days of Notice				
	<u>ALL ESTABLISHMENTS</u>	<u>None</u>	<u>1-14</u>	<u>15-30</u>	<u>31+</u>
<u>ESTABLISHMENTS PROVIDING NOTICE</u>		32	36	14	19
<u>BENEFIT</u>					
Severance pay	37	25	31	36	68
Supplemental unemployment benefits	11	12	7	11	21
Pay in lieu of notice	9	11	10	4	7
Lump sum benefits	10	4	4	16	27
Continuation of health insurance	38	32	40	35	47
Continuation of life insurance	22	16	22	19	35
Early retirement incentives	11	6	6	20	26

TABLE 7

**FINANCIAL BENEFITS OFFERED TO WHITE-COLLAR WORKERS
AND AMOUNT OF ADVANCE NOTICE**
(Percentage of Establishments With 100 or More Employees)

	ALL ESTABLISHMENTS	Number of Days Of Notice			
		<u>None</u>	<u>1-14</u>	<u>15-30</u>	<u>31+</u>
<u>ESTABLISHMENTS PROVIDING NOTICE</u>		28	31	18	23
<u>BENEFIT</u>					
Severance pay	57	43	52	64	75
Supplemental unemployment benefits	10	11	5	8	18
Pay in lieu of notice	13	18	13	13	7
Lump sum benefits	12	5	3	14	32
Continuation of health insurance	48	41	46	50	59
Continuation of life insurance	30	24	25	27	48
Early retirement incentives	19	8	11	34	29

TABLE 8

**REEMPLOYMENT ASSISTANCE OFFERED TO BLUE-COLLAR WORKERS
AND LENGTH OF ADVANCE NOTICE**

(Percentage Establishments With 100 or More Employees)

	ALL ESTABLISHMENTS	Number of Days of Notice			
		<u>None</u>	<u>1-14</u>	<u>15-30</u>	<u>31+</u>
<u>ESTABLISHMENTS PROVIDING NOTICE</u>		32	36	14	19
<u>BENEFIT</u>					
Company transfer	11	6	6	16	25
Relocation assistance	6	5	4	9	7
Skill testing	4	0	1	7	11
Career counseling	15	8	13	13	30
Personal counseling	17	12	12	22	30
Job search assistance	26	18	27	33	35
Occupational training	4	0	4	2	12
Time off for job search	12	5	9	23	20
Job club	2	0	1	0	8
Administrative support	21	14	20	25	31

TABLE 9

**REEMPLOYMENT ASSISTANCE OFFERED TO WHITE-COLLAR WORKERS
AND AMOUNT OF ADVANCE NOTICE**

(Percentage of Establishments With 100 or More Employees)

	ALL ESTABLISHMENTS	Number of Days of Notice			
		None	1-14	15-30	31+
<u>ESTABLISHMENTS PROVIDING NOTICE</u>		28	31	18	23
<u>BENEFIT</u>					
Company transfer	23	6	12	34	47
Relocation assistance	18	3	9	33	36
Skill testing	6	0	4	8	15
Career counseling	22	11	10	26	47
Personal counseling	22	12	12	26	46
Job search assistance	35	19	29	41	57
Occupational training	3	1	0	4	6
Time off for job search	26	11	14	37	52
Job club	2	0	0	3	8
Administrative support	29	19	23	33	49

RECENT GAO REPORTS RELATING TO EMPLOYMENT AND TRAINING ISSUES

Title	Report Number	Date
Dislocated Workers: Exemplary Local Projects Under the Job Training Partnership Act	HRD-87-70BR	4/8/87
Dislocated Workers: Local Programs and Outcomes Under the Job Training Partnership Act	HRD-87-41	3/5/87
Youth Job Training: Problems Measuring Attainment of Employment Competencies	HRD-87-33	2/11/87
Emergency Jobs Act of 1983: Funds Spent Slowly, Few Jobs Created	HRD-87-1	12/31/86
Job Corps: Its Costs, Employment Outcomes, and Service to the Public	HRD-86-121BR	7/30/86
Dislocated Workers: Extent of Business Closures, Layoffs, and the Public and Private Response	HRD-86-116BR	7/1/86
School Dropouts: The Extent and Nature of the Problem	HRD-86-106BR	6/23/86
Job Training Partnership Act: Data Collection Efforts and Needs	HRD-86-69BR	3/31/86
Employment Service: More Jobseekers Should Be Referred to Private Employment Agencies	HRD-86-61	3/31/86
The Job Training Partnership Act: An Analysis of Support Cost Limits and Participant Characteristics	HRD-86-16	11/6/85

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